



WEEKLY ECONOMIC DIGEST

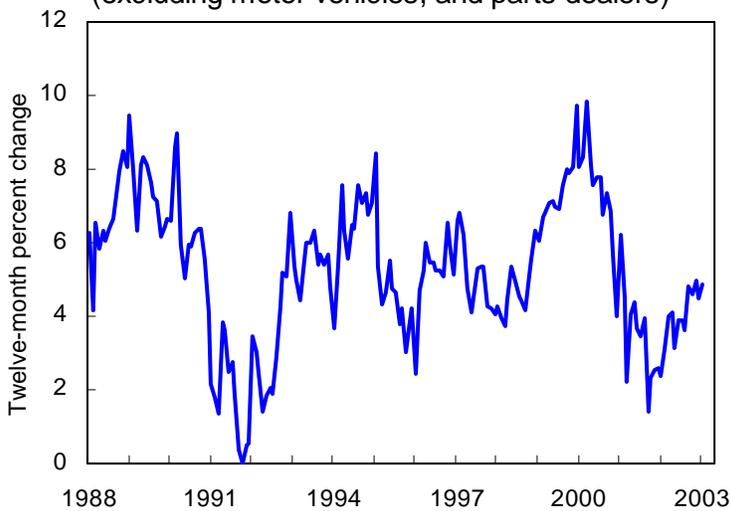


JOINT ECONOMIC COMMITTEE – DEMOCRATS
REPRESENTATIVE PETE STARK (D-CA)

February 25, 2003

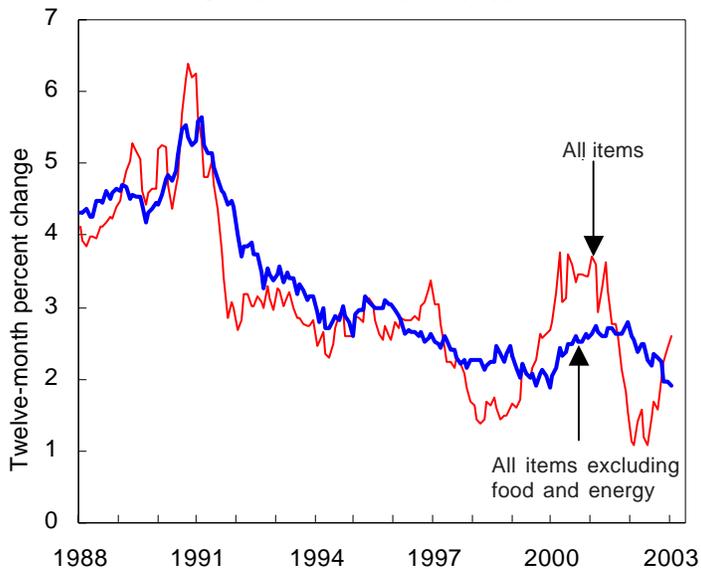
The Economy Shows Tentative Signs of Firming

Retail and Food Service Sales
(excluding motor vehicles, and parts dealers)



Source: Bureau of the Census, U.S. Department of Commerce.

Consumer Price Indexes



Source: Bureau of Labor Statistics, U.S. Department of Labor.

- **Underlying retail sales held up in January.** Household spending remained relatively strong last month, even though total sales at retail and food service establishments fell by 0.9 percent. That decline in total sales reflected a 7.5 percent decline in the sales of motor vehicles and parts in January, not quite reversing a 7.9 percent gain in December. However, non-automotive sales grew more rapidly than they have in over two years, rising to 4.8 percent above last January's level.
- **Industrial production rose last month.** Output at the nation's factories, mines, and utilities rose by 0.7 percent in January. That rise more than reversed a 0.4 percent decline in December. Manufacturing output rose by 0.5 percent, mostly due to a pickup in automotive production. January's weak auto sales were not reflected in production, because automakers are reluctant to incur the costs of revising their production schedules in response to what might be a short-term slump in sales.
- **Housing starts stayed strong in January.** The number of new, privately owned housing units started rose slightly last month. Financial markets had expected starts to recede in the wake of December's surge, which lifted starts to 1.85 million units, the highest level since mid-1986.
- **Underlying inflation in consumer prices was low last month.** The Consumer Price Index (CPI) rose by 0.3 percent in January, largely because of rising energy prices. The core CPI (which excludes energy and food prices) rose by 0.1 percent, to a level that was only 1.9 percent above last year's level. Producer prices rose sharply in January, but it is uncertain whether those increases will persist and how they will affect consumer prices.
- **Jobless claims remained high.** Initial claims for unemployment insurance averaged 394,750 over the four weeks ending on February 15. As has been true throughout the past year, growth in production has not been sufficient to create jobs.

Economy At A Glance	2003 Jan	2002 Dec	2002 Nov	2002 Oct	2002 Qrt 4	2002 Qrt 3	2002 Qrt 2	2002 Qtr 1	2002	2001
Economic Activity										
Real GDP (% growth)*					0.7	4.0	1.3	5.0	2.4	0.3
Industrial Production (% growth)	8.7	-4.7	2.4	-7.0	-2.9	3.4	4.4	1.4	1.5	-5.7
Capacity Utilization (Level, %)	75.7	75.2	75.6	75.5	75.4	76.2	75.7	75.1	75.6	77.3
Civilian Unemployment Rate (Level, %)	5.7	6.0	5.9	5.8	5.9	5.8	5.8	5.6	5.8	4.7
Housing Starts (Thousands)	1850	1847	1761	1660	1756	1697	1667	1725	1711	1603
Real Disposable Personal Income* (% growth)		4.9	3.7	2.4	2.6	3.1	3.9	14.5	4.5	1.8
Retail Sales (% growth)	-10.3	26.8	7.4	1.2	1.5	6.5	4.1	-3.7	3.4	3.9
Personal Saving Rate (Level, %)*		4.1	4.5	4.5	4.3	3.8	4.0	3.5	3.9	2.3
Inflation & Productivity										
CPI-U Inflation, All Items (% growth)	3.7	1.2	1.2	2.4	2.0	2.2	3.5	1.3	1.6	2.8
Core CPI-U Inflation (% growth)	1.2	2.4	1.2	1.2	1.8	2.2	2.1	2.2	2.3	2.7
Compensation per Hour (% growth)					2.8	2.4	4.5	3.6	3.3	4.1
Output per Hour (% growth)					-0.2	5.5	1.7	8.6	4.7	1.1
Financial Markets										
T-Bill Rate, 3-month (Level, %)	1.2	1.2	1.2	1.6	1.3	1.6	1.7	1.7	1.6	3.4
T-Note Rate, 10-years (Level, %)	4.1	4.0	4.1	3.9	4.0	4.3	5.1	5.1	4.6	5.0
Federal Funds Rate (Level, %)	1.2	1.2	1.3	1.8	1.4	1.7	1.8	1.7	1.7	3.9
Dow Jones Industrial Avg (Index level)	8475	8527	8626	8048	8400	8488	9913	10105	9226	10189

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; Bureau of the Census, U.S. Department of Commerce; Bureau of Labor Statistics, U.S. Department of Labor; Board of Governors of the Federal Reserve System; Wall Street Journal; and, Haver Analytics.

Notes: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted **annual** rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. Compensation is the Employment Cost Index for workers in private industry. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.

* Subject to revision this week.

Upcoming Economic Releases:

- **Factory Shipments, Inventories, and Orders of Durable Goods , January (Advance)** [Release: Thursday, February 27]
- **Gross Domestic Product : Fourth Quarter 2002 (Preliminary)** [Release: Friday, February 28]
- **Personal Income and Outlays: January** [Release: Monday, March 3]
- **Construction Spending, January** [Release: Monday, March 3]